

VZCZCXRO2657

OO RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA  
RUEHLN RUEHLZ RUEHROV RUEHSR RUEHVK RUEHYG  
DE RUEHPG #1548/01 3561230  
ZNR UUUUU ZZH  
O 221230Z DEC 06  
FM AMEMBASSY PRAGUE  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8395  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEAIIA/CIA WASHDC  
RHEHNSC/NSC WASHDC

UNCLAS SECTION 01 OF 02 PRAGUE 001548

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EUR/NCE

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EZ](#)

SUBJECT: CZECH PRESIDENT REJECTS PROPOSED GOVERNMENT,  
HIGHLIGHTING TENSIONS WITHIN ODS

REF: PRAGUE 737

¶1. (SBU) SUMMARY: Czech President Vaclav Klaus has rejected the government put forward by Prime Minister Mirek TopolaneK (ODS), prolonging at least temporarily the half-year search for a new government. Klaus's decision is only a delaying measure as under the Constitution he has no choice but to eventually accept the Prime Minister's proposal, but it will at least force TopolaneK to make some changes to the hastily-conceived three-party coalition government. The latest developments highlight personal and factional differences within ODS, the party founded by President Klaus, and there is no guarantee that TopolaneK will not, in the end, be replaced as party leader. But for now, the outgoing TopolaneK government remains in charge and the holiday season in Prague will be marked by behind-the-scene maneuvering, with a revised version of the three-party coalition likely to be presented to the President early in the new year. END SUMMARY.

¶2. (U) Recent weeks have witnessed a flurry of activity as Czech political leaders struggled to put together the second coalition since the deadlocked June 2-3 elections. Outgoing PM TopolaneK, whose minority ODS government was installed in early September and lost a vote of confidence one month later, was given the mandate to form a new government in early November. Serious work on this did not begin until after an ODS party congress in November and the Christian Democrats' (KDU-CSL) selection of new leadership earlier this month. A grand/rainbow coalition between ODS, the opposition Social Democrats (CSSD) and the KDU-CSL looked likely to move forward until ODS regional representatives, in a surprise move last week, voiced last-minute objections. TopolaneK then moved quickly to put together a coalition with KDU-CSL and the Greens -- the same coalition he had assembled back in June that he had to abandon when it became clear that it would not win a vote of confidence with only 100 votes in the 200-seat chamber. The difference between now and the summer is that two CSSD deputies have since left the party, and one announced he would support the center-right coalition.

¶3. (SBU) On December 21, as he promised one week earlier, TopolaneK presented the list of ministers in his three-party coalition to President Klaus. He also presented a government program that drew largely from the agreement concluded in June (reftel), but gave increased importance in two areas: the urgency for economic reform, and a basket of policies important to the Greens, who over the past six months have improved markedly in opinion polls. With even CSSD Chairman Paroubek admitting that he expected his party to go into opposition (i.e., that the vote of confidence for this government would succeed), most observers expected the

President to accept the offer, despite his known preference for a grand coalition. But in a surprise move, President Klaus rejected the list. He cited his earlier statements that he would not appoint a government that relied on the votes of one or two renegades. Klaus instructed Topolanek to go back to his partners and other parties and try to put together a government that would be more stable, more likely to have the support needed to push through controversial reforms, and likely to last to the end of the electoral term.

14. (U) Klaus's rejection of the proposed cabinet raises a number of questions, not least of which is the constitutional issue of whether the President has the legal authority to reject ministers put forward by the Prime Minister. The Czech Constitution (Article 68) only says that the President appoints the ministers at the recommendation of the Prime Minister, but is generally interpreted as allowing the President to decide how expeditiously he carries out this task. This debate has been held on several occasions in the past, when both President Havel and Klaus objected to individual cabinet appointees, but eventually made the appointments when they could not convince the Prime Minister to change his mind. Justice Vojtech Cepl, one of the co-authors of the Constitution, reacted to Klaus's decision by saying, "the gentleman at the Castle (i.e. Klaus) should read the Constitution." The Constitution allows for three unsuccessful attempts at forming a government, i.e., a failed vote of confidence, before early elections are called. Klaus's decision is not the end of one attempt, but merely prolongs the second attempt that began when he re-named Topolanek as Prime Minister last month.

15. (SBU) In his announcement Klaus made a point of singling out one of the proposed ministers for criticism. He said that the proposed Foreign Minister, Senator Karel

PRAGUE 00001548 002 OF 002

Schwarzenberg, a member of ODA -- a nearly defunct party that split with ODS in the 1990s because of differences with then-ODS Chairman Klaus -- who was nominated by the Greens, was inappropriate given the "current fragile relations with Austria." Schwarzenberg lived in Austria for many years prior to 1989. But it is more likely that Klaus's real beef is the fact that Senator Schwarzenberg was Chief of Staff to President Havel and Klaus has never liked Havel or those close to him. Schwarzenberg was a surprise choice, whose name only emerged as a possible candidate hours before Topolanek presented his list. After his meeting with Klaus Topolanek defended Schwarzenberg, saying he respected the Greens' choice.

16. (SBU) Klaus wasn't the only ODS insider (he remains honorary chairman of the party) to find fault with Topolanek's cabinet. ODS controls 13 of the country's 14 governorships. Those regional leaders have few ways of raising funds themselves and have to depend on Prague and Brussels for most of their revenues. Therefore, for the governors, the two most important ministries are the Ministry of Finance and the Ministry for Regional Development. In the cabinet rejected by Klaus, those two ministries went to the Christian Democrats even though the party is consistently coming in fifth of the five parliamentary parties in popularity polls. The regional leaders, as well as Prague Mayor Pavel Bem (ODS), who is much closer to Klaus than to Topolanek, reacted to the cabinet list with surprise and dismay, reflecting either a failure of Topolanek to adequately consult in-house, or a maneuvering for position within the party, or both.

17. (SBU) In general, Topolanek's proposed cabinet would have been a government that supported reform and strong transatlantic ties. Current Foreign Minister Alexandr Vondra was to be elevated to Deputy Prime Minister, with responsibility for European Affairs -- a suitably vague position from which he could have exerted considerable influence over relatively weak Foreign and Defense (Vlasta

Parkanova of KDU-CSL) Ministers. Seven of the ministers would have been ODS members serving in the current Topolanek government, most of them serving in key economic ministries. The only notable departure was ODS Finance Minister Tlustý, who has never been close to Topolanek and who damaged his position by refusing to vote in favor of the budget this month. The cabinet would have included other friends of the U.S. such as former Foreign Minister Cyril Svoboda (KDU-CSL), who would have become Minister of Culture, and former Consul General at the Czech Mission in New York, Petr Gandalovic (ODS), who would have become Agricultural Minister. The government's proposed agenda included a number of reforms, including lowering taxes on personal and corporate income to a flat rate between 17 and 19 percent, raising the retirement age, introducing patient co-payment for medical services, and eliminating some social benefits.

18. (SBU) COMMENT. For now, the outgoing Topolanek government remains in charge. The cabinet that was rejected on the afternoon of December 21 was still being cobbled together just hours beforehand, with perhaps insufficient consultation within ODS itself, and certainly with the President. Topolanek has said he intends to stick with his three-party cabinet, although insiders tell us there will certainly be some changes considered during the pause provided by the holidays. We do not expect any significant announcements, nor a return trip to the Castle, until January. What is unknown is how significant the power struggle within ODS will be over the coming weeks. Topolanek has upset many influential figures and groups within the party, although it is far from clear that a tipping point has been reached. The debate within ODS, rather than any interparty talks, will shape what sort of coalition emerges in the new year. END COMMENT.  
GRABER